

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01

CEA-01 PA-01 PRS-01 USIA-06 /078 W

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 9761

C O N F I D E N T I A L BUENOS AIRES 0746

E.O. 11652: GDS

TAGS: EFIN, EGEN, AR

SUBJ: ECONOMY MINISTER'S SITUATION AND PROBLEMS

REF: A. BA 0535; B. BA 0534; C. BA 0718

SUMMARY: SITUATION OF ECON MIN GOMEZ MORALES VIS A VIS LOPEZ REGA, ORGANIZED LABOR, AND WITHIN LARGER CABINET CRISIS (SEE BA 0718) MAY BE MOVING TOWARD RAPID DEFINITION. RUMORS (UNCONFIRMED) NOW CIRCULATING THAT GOMEZ MORALES DISSATISFIED WITH GOA SUPPORT FOR HIS ECONOMIC POLICIES AND MAY EVEN HAVE RESIGNATION ON LINE. MAJOR PROBLEMS ARE WITH LOPEZ REGA, WHO SEEKS GREATER INFLUENCE IN ECONOMIC AFFAIRS, AND MOST RECENTLY WITH ORGANIZED LABOR WHICH UNHAPPY WITH GOA PRICE POLICY AND WITH MINISTER HIMSELF. IN POWER EQUATION CENTERING AROUND GOMEZ MORALES, LOPEZ REGA WOULD APPEAR TO BE LINED UP WITH ORGANIZED LABOR, WHILE GOMEZ MORALES ENJOYS SUPPORT OF MILITARY, BALBIN RADICALS AND MANY OLD LINE PERONISTS. BELIEVE GOMEZ MORALES DEPARTURE, SHOULD HE LOSE CURRENT STRUGGLE, WOULD HAVE ADVERSE REPERCUSSIONS ARGENTINE ECONOMIC DEVELOPMENT AND CONSTITUTE SETBACK FAVORABLE EVOLUTION ECONOMIC RELATIONS WITH US. END SUMMARY.

1. ONE IMPORTANT ASPECT IN CABINET CRISIS REPORTED REFTTEL IS POLITICAL BATTLE OVER CONTROL AND DIRECTION FUTURE ECONOMIC
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POLICY. GOMEZ MORALES REPORTEDLY NOT FULLY SATISFIED WITH GOA

SUPPORT FOR HIS ECONOMIC POLICES AND MAY EVEN HAVE RESIGNATION
ON LINE - THIS NOT CLEAR.

2. MAJOR EVENT LAST WEEK WHICH PROBABLY BROUGHT ISSUE TO HEAD,
WAS PUBLIC CRITICISM BY NEWLY APPOINTED CGT SECRETARY GENERAL
CASILDO HERRERAS OF COMMERCE SECRETARY JOSE ALLOATI AND GO
IMPLEMENTATION PRICE POLICY. HERRERAS LABELLED POLICY
"UNILATERAL AND ARCHAIC" AND DENIED THAT PLT PROPERLY CONSULTED
IN ITS IMPLEMENTATION. CGT ATTACK, WHICH BROKE PUBLIC FACADE
OF HARMONY UNDER SOCIAL PACT, PRETTY CLEARLY DIRECT THRUST AT
MINISTER AND HIS POLICY OF GREATER WAGE-PRICE FLEXIBILITY.
REPORTEDLY, CGT LEADERS MISTRUST GOMEZ MORALES AND FEEL HE
IS TOO INFLEXIBLE. THEY ALSO VIEW HIM AS OBSTACLE IN CGT
CAMPAIGN TO CAPTURE GREATER POLITICAL AND ECONOMIC POWER WITHIN
GOVERNMENT. IN PRACTISE, GOMEZ MORALES' POLICY TO SEEK GREATER
STABILIZATION, INCLUDING IMPROVEMENT TREASURY SITUATION,
WOULD NECESSARILY IMPLY WAGE RESTRAINT BY LABOR WHICH NOT POPULAR.

3. LOPEZ REGA KNOWN TO COVET ADDITIONAL POWER IN ECONOMIC
MATTERS AND THOUGHT TO HAVE CLASHED WITH GOMEZ MORALES BEFORE.
FOR EXAMPLE, IT WAS PROBABLY LOPEZ REGA WHO SWAYED PRESIDENT TO
POSTPONE PUBLIC SERVICE RATE HIKES FOLLOWING LAST NOVEMBERS
WAGE INCREASES THUS IMPEDING ECON MINS EFFORTS TO IMPROVE
TREASURY SITUATION. SINCE THEN ONLY PUBLIC SERVICE INCREASES
APPROVED BY GOA HAVE BEEN BUS FARES (ABOUT 30 PERCENT FOR
FEDERAL CAPITAL URBAN LINES AND 42 PERCENT FOR LONG DISTANCE)
AND SUBWAY FARES WHICH WENT UP 33 PERCENT TO 90 CENTAVOS
PER RIDE. GOA WILL NOW HAVE TO INCREASE PUBLIC SERVICE TARIFFS
(FUEL, ELECTRICITY, GAS AND TELEPHONE) IN MORE DIFFICULT
POLITICAL ATMOSPHERE AND GOMEZ MORALES MAY BEAR ONUS.

4. IF MINISTER SURVIVES LATEST CABINET CRISIS, SITUATION
ON WAGE PRICE FRONT WILL STILL BE DIFFICULT OVER NEXT SEVERAL
MONTHS. ORGANIZED LABOR CLEARLY DISSATISFIED WITH NEW PRICE
FLEXIBILITY, INFLATION, AND WITH MINISTERS OWN PERFORMANCE.
IT'S LIKELY TO PRESS FOR LARGE WAGE INCREASES IN PRIVATE
COLLECTIVE BARGAINING SESSIONS WHICH SECHEDULED TO BEGIN NEAR
FUTURE. (SOCIAL PACT, WHICH RARELY MENTIONED THESE DAYS,
SCHEDULED TO END JUNE 1975 AND RESULTS OF PRIVATE BARGAINING
SESSIONS WOULD BE IMPLEMENTED THEREAFTER). THIS WOULD BE
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ARGENTINAS FIRST EXPERIENCE WITH PRIVATE COLLECTIVE BARGAINING
SESSIONS SINCE PERONISTS TOOK POWER AND MANY OBSERVERS VIEW
PROSPECTS WITH CONSIDERABLE APPREHENSION. MINISTER WILL HAVE
DIFFICULT TASK WORKING TOWARD MORE REALISTIC PRICE POLICY TO
PROMOTE INVESTMENT AND PRODUCTION, WHILE AT SAME TIME CHECKING
INFLATION, KEEPING CGT SATISFIED, AND PROTECTING POLITICAL
FLANK FROM LOPEZ REGA.

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